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# FARMERS' NEWSLETTER

February 79/L-8

## Livestock



Two recent USDA reports will help cattlemen plan ahead. The Cattle on Feed report indicates supplies of fed cattle that likely will be coming to market in the next few months. The Cattle report contains a detailed inventory of cattle and calves on U.S. farms and ranches, and provides a clue to supplies over the next few years. Data in both reports are as of January 1.

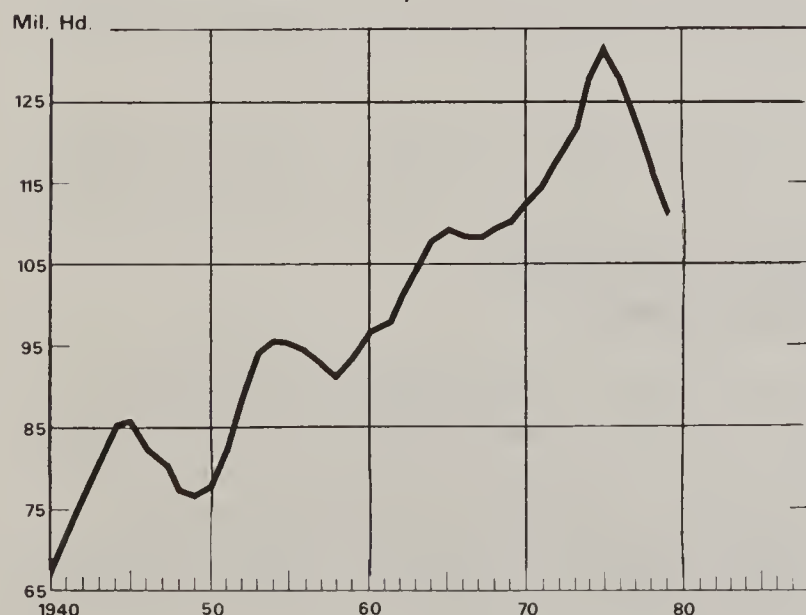
Combine these figures with related information on the cattle-beef business, and you'll get some indication of what cattle and beef prices will be for months and years ahead.

### Fewer Cattle on Feed

Cattle on Feed surprised those people who had expected continuing increases in feedlot activity.

Instead, net placements in the 23 major feeding States totaled only 8 million head during October-December

CATTLE ON FARMS, January 1



1978. Net placements were 1 percent less than a year earlier. Net placements are overall placements of cattle on feed minus cattle taken out of feedlots for purposes other than slaughter; for example, put back on pasture or sold to other feedlots. The number on feed on January 1, 1979, stood at 12.7 million head, 1 percent less than the year before.

The breakdown by weight groups indicated that market supplies of fed cattle will be abundant during January-March, but are likely to drop below year-earlier levels during April-June. Heavier cattle--steers weighing over 900 pounds and heifers over 700 pounds--totaled 5.6 million head, up 15 percent from the year before, which means first quarter marketings may be up more than the intended marketings feedlot operators reported on January 1.

They said they planned to market 6.8 million finished cattle this quarter, only 1 percent more than a year ago. However, the increased number of heavier cattle on feed indicates that first quarter marketings should be up 4 to 5 percent. Severe winter weather may have delayed weight gains in some sections of the country, thus some of these cattle may be held until the spring quarter. Nonetheless, the February Cattle on

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Feed report for 7 major feeding States indicated that marketings were being kept current in those States.

Lighter cattle on feed at the start of the year will provide most of the April-June marketings. At 6.3 million, there were 11 percent fewer of them than a year earlier.

However, spring market supplies probably won't be down that much, since some of the heavier cattle may be held until April. Also, spring slaughter may include more short-fed cattle.

There were about 38 million yearlings and calves this January 1 that could be used as feeders. Down 3 million head from a year earlier, this potential supply is still enough for a high level of cattle feeding.

Even with \$75 feeder cattle prices, careful planning may yield some profits, and there's a high probability of covering most, if not all, variable costs. According to feeding budgets, if you bought 600-lb. yearlings at \$75 per cwt., you could cover feed and feeder costs if you sell fed 1,050-lb. steers for \$58. You could cover all costs by selling

at \$65 to \$66. (Use the feeding budget on the opposite page to calculate your own costs and expected returns.)

### Prices Strong Throughout the Year

Here's how price prospects for fed cattle shape up this year:

- Choice steers will average around \$61 to \$63 per cwt. during this first quarter. Prices may fall slightly toward the end of the quarter if some "bunched" marketings occur in the Corn Belt.
- April-June prices are now expected to average \$64 to \$66, with prices near the end of the quarter moving higher as fewer fed cattle are marketed and the demand for beef during the summer months tends to increase prices.
- Third and fourth quarter prices should not rise much more since second half marketings should nearly match those of 1978. And if earlier expectations are met, more pork and poultry will compete for the consumer's meat dollar.

These forecasts reflect how the experts see coming price levels based on what they know at this time. Obviously, the current situation can change. Weather and producer attitudes can affect supplies while the economy's performance can affect the demand for meat.

You will want to closely follow daily markets to keep abreast of such changes.

### BREAK-EVEN FEEDER STEER PRICES<sup>1</sup>

Corn price	Choice steers, \$ per cwt.						
	45	50	55	60	65	70	75
\$ per bu.	Feeder steers, \$ per cwt.						
1.75 ....	40	49	58	66	75	84	93
2.00 ....	38	47	56	64	73	82	91
2.25 ....	36	45	54	63	71	80	89
2.50 ....	34	43	52	61	69	78	87
2.75 ....	33	41	50	59	68	76	85
3.00 ....	31	39	48	57	66	74	83
3.25 ....	29	38	46	55	64	73	81
3.50 ....	27	36	44	53	62	71	79

<sup>1</sup> Feeder steer prices consistent with break-even costs, given corn and fed steer prices. Assuming all other costs at January 1979 levels. Includes \$4.15 per cwt. in fixed costs.

### Cattle Inventory Well Below '75 Peak

On January 1, the number of cattle and calves on farms and ranches stood at just under 111 million head, down 5 percent from the year before and 16 percent from the cyclical peak of 132 million in 1975.



## FARM LOT CATTLE FEEDING BUDGET

(Yearlings placed in January,  
marketed in July 1979)

Expenses	Budget	Your cost estimate
<i>Dollars</i>		
1. 600-lb. feeder steer	448.08	_____
2. Transportation to feedlot	5.28	_____
3. Corn (45 bu.)	93.60	_____
4. Silage (1.7 tons)	31.99	_____
5. Protein (270 lbs.)	29.16	_____
6. Hay (400 lbs.)	10.20	_____
7. Labor (4 hrs.)	11.68	_____
8. Management (1 hr., valued at twice the labor rate)	5.84	_____
9. Veterinary & medicine	3.73	_____
10. Interest on purchase (6 mos.)	20.16	_____
11. Power, equipment, fuel, and and depreciation	17.38	_____
12. Death loss (1 percent)	4.48	_____
13. Marketing expenses	5.56	_____
14. Miscellaneous	7.62	_____
15. TOTAL	694.76	_____
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Selling price for 1,050-lb. steer to cover costs of feed and feeder (total of lines 1,3,4,5,6 divided by 10.5)	58.38	_____
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Feed costs per 100 pounds of gain (total of lines 3,4,5,6 divided by 4.5)	36.66	_____
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Selling price for 1,050-lb. steer to cover all costs (line 15 divided by 10.5)	66.17	_____

Prices: a) 600-700 lb. feeder steer, \$74.68; b) corn, \$2.08 per bushel; c) hay, \$51 per ton; d) corn silage, \$18.82 per ton; e) 32-36 percent protein, \$10.80 per cwt; f) farm labor, \$2.92 per hour; g) interest rate, 9 percent.

This is the biggest year-to-year reduction on record. It's all part of the typical cattle cycle, which generally runs 10 to 12 years. The buildup stage of the cycle usually lasts 6 to 8 years. During the first 3 or 4 years, cattle slaughter and beef production are low, because calf crops are small and cattlemen hold back heifers to increase their herds.

After a few years of herd expansion, more cattle are sold for slaughter. Beef production rises and prices decrease.

Poor returns bring on the selloff stage and beef supplies increase faster than consumer demand. Retailers

must then lower prices to move the excess beef.

Some farmers sell all their cows and quit the cattle business. Many cattlemen sell off some of their cows. If dry weather also occurs, as it did the past few years, some additional herd liquidation may be necessary to match available feed supplies. These sales of breeding stock further increase beef output and depress prices. Eventually, the smaller herd produces fewer cattle for slaughter--and less beef for consumers.

Cattlemen may take steps to begin herd rebuilding this year, but the inventory next January probably will still be lower than this year's 111 million head.

Then during 1980, herd rebuilding probably will start slowly. But there may be no substantial increase in the number of cattle for market before about 1983 or 1984.

Cow-calf producers stand to profit the most from the short supply of feeder cattle during the next 3 to 5 years. But returns to feedlot operators will be limited by strong competition for the reduced supply of replacement cattle even if feed remains ample and reasonably priced.

### More From the Inventory Report

Further study of the cattle inventory report and comparisons with previous data reveal other important information:

- Beef cows totaled 37 million. That's down 5 percent from a year earlier, and off 19 percent from the cyclical peak 4 years ago.
- Heifers over 500 pounds for beef cow replacements were 5.5 million, down 6 percent from last year, and 38 percent less than at the peak.

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- More heifers reported or intended for herd replacement on July 1 actually entered the herd during the last half of 1978 than in second-half 1977. This indicates a start toward herd rebuilding.

- Steers over 500 pounds outside feedlots were not listed separately but apparently totaled around 8.1 million, 8 percent less than on January 1, 1978.

- Heifers over 500 pounds available for feedlot replacements appeared to be about 3.9 million, down 7 percent.

- Calves under 500 pounds available for feeding are estimated at around 17 million, compared with 20 million at the beginning of 1978.

- The size of this year's cow herd and indications of replacement heifers going into the herd suggest that 1979's calf crop might be around 43 million, compared with nearly 44 million in 1978. That indicates the cattle herd will slip a little further this year.

Here's why: Cattle and calf slaughter in 1979 is expected to total just under 40 million head. But with death

loss of over 5 million head, slaughter plus death loss totaling around 45 million cattle probably will exceed the calf crop by 1 to 2 million head.

## Feeder Cattle Profitable Again

The cost of producing feeder cattle, even exclusive of land costs, is high. Where it is a primary enterprise, estimated short run costs averaged about \$66 per 100 pounds of feeder calf actually sold in 1978. Fifty dollars went for cash cost items with the remainder contributing to income for family living.

For farms having only a few cows as a sideline, cash costs were less--around \$42--and other enterprises likely provided income for farm overhead and family living expenses.

With yearling feeders selling in the \$70 range, calves somewhat higher, and cows near \$45, returns look good for a change.

If you are considering herd expansion, positive returns seem likely for several years. Good budgeting of costs and expected returns can help you select your best level of calf production.